

Message Text

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ACTION EB-08

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FM AMEMBASSY MANILA
TO SECSTATE WASHDC NIACT IMMEDIATE 5067

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MTN

FOR DAVE BEIGING, TRIP DIRECTOR, VP OFFICE
WHITE HOUSE PASS TO AF2

FOL SENT ACTION SECSTATE WASHDC, GENEVA DTD 280922Z APR 78.
BEING REPEATED TO YOU

QUOTE

MANILA 6939

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E. O. 11652: NA
TAGS: ETRD, MTN, ASEAN, RP
SUBJECT: MTN: US-GOP MTN BILATERAL TALKS, APRIL 26-27, 1978

1. SUMMARY: US/PHILIPPINE BILATERAL TALKS IN CONTEXT OF
US MTN OFFER MADE LIMITED PROGRESS. PHILIPPINE DEL TABLED
INITIAL OFFER WHICH FALLS FAR SHORT OF US REQUESTS, AND
WAS BASED PRIMARILY ON US TROPICAL PRODUCTS REQUESTS TABLED IN
MARCH 1976 AND TARIFF REDUCTIONS MADE BY GOP DURING LAST
SEVERAL YEARS. POTENTIALLY SIGNIFICANT, HOWEVER, IS THE
FACT THAT BINDINGS WERE OFFERED ON SEVERAL TARIFF LINES.
PHILIPPINE DEL ALSO MADE REQUESTS FOR MAINTAINING OR
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IMPROVING US GENERAL MTN OFFER WHICH GO SIGNIFICANTLY
BEYOND ITS PREVIOUS EMPHASIS ON TROPICAL PRODUCTS
NEGOTIATIONS. THE BILATERAL WAS CHARACTERIZED AS AN
INITIAL NEGOTIATING SESSION BY BOTH DELEGATIONS AND IT
WAS AGREED TENTATIVELY TO RESUME CONSULTATIONS MAY 16-
17 IN GENEVA. END SUMMARY.

2. USDEL (BRAEF ET AL) MET APRIL 26 AND 27 WITH PHILIPPINE PANEL CHAIRED BY AMB. VEGA. DURING FIRST DAY, DISCUSSIONS FOCUSED ON US MTN OFFER. USDEL REVIEWED VALUE OF US OFFER TO PHILIPPINES EMPHASIZING THAT US GENERAL OFFER TABLED JANUARY 23 SIGNIFICANTLY EXPANDED PHILIPPINE INTERESTS BEYOND TROPICAL PRODUCTS. PHILIPPINE DEL TABLED REQUEST LISTS COVERING TARIFF LINES WHERE GOP IS INTERESTED IN MAINTAINING OR IMPROVING US OFFER (LISTS BEING HAND CARRIED TO WASHINGTON AND GENEVA). VEGA AS IN ALL PREVIOUS CONTACTS STRESSED US IMPROVEMENTS AS A PRECONDITION TO SUCCESSFUL NEGOTIATIONS. USDEL EMPHASIZED THAT PHILIPPINE DEL WOULD HAVE TO TABLE A SIGNIFICANT OFFER TO MAINTAIN U.S. OFFER WHICH WAS ALREADY ON TABLE.

3. VEGA ALSO EXPRESSED A GREAT DEAL OF INTEREST IN US/ MEXICO AGREEMENT. USDEL CAUTIONED THAT AGREEMENT SHOULD NOT BE INTERPRETED AS A PRECEDENT AND THAT BEST COURSE OF ACTION TO IMPLEMENT RESULTS OF BILATERAL NEGOTIATION WAS FOR PHILIPPINES TO FULLY ACCEDE TO GATT. WITH RESPECT TO MEXICAN CONCESSIONS UNDER THE AGREEMENT USDEL EMPHASIZED THAT THEY WERE BOUND AND COVERED BOTH TARIFF AND NON-TARIFF MEASURES. USDEL AGREED THAT US HAD IMPROVED ITS TP OFFER TO CONCLUDE THE AGREEMENT, BUT THAT THIS WAS DONE IN CONTEXT OF TP WHEN ONLY 150 PRODUCTS WERE OFFERED IN CONTRAST TO CURRENT SITUATION IN WHICH LIMITED OFFICIAL USE

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NEARLY ENTIRE US TARIFF SCHEDULE HAD BEEN CONSIDERED.

4. GOP TABLED ITS OFFER DURING THE SECOND DAY OF DISCUSSIONS. THE OFFER REPRESENTED A RESPONSE PRINCIPALLY TO US REQUESTS TABLED IN MARCH 1976 LARGELY IGNORING REQUESTS TABLED MORE RECENTLY IN NOVEMBER 77 AND MARCH 78. IN ADDITION, OFFER WHICH INCLUDED "TARIFF CONCESSIONS" ON 54 PRODUCTS, WAS BASED ON PREVIOUS TARIFF REDUCTIONS (BASE RATES FOR US REQUESTS) SOME OF WHICH DATED BACK TO JANUARY 74. IN FACT ONLY 13 ITEMS INCLUDED IN THE OFFER WOULD REQUIRE ACTION ON PART OF GOP. OF POTENTIAL SIGNIFICANCE, WAS AN OFFER TO BIND CURRENT TARIFFS ON 12 ITEMS, WHICH IS MORE FORTHCOMING ON THIS ISSUE THAN THE POSITION OF MOST DEVELOPING COUNTRIES

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5. USDEL REGISTERED FIRM DISAPPOINTMENT WITH THE PHILIPPINE OFFER, POINTING OUT 1) THAT CREDIT WAS BEING SOUGHT FOR ACTION TAKEN BY GOP ALONG AS FOUR YEARS AGO WITH NO OFFER TO BIND, 2) THAT US OFFER WAS DISPROPORTIONATELY LARGER THAN GOP OFFER, AND 3) THAT GOP HAD NOT REPEAT NOT RESPONDED TO MORE RECENT US REQUESTS. USDEL ALSO OBSERVED THAT GOP OFFER HAD BEEN TABLED DURING MARCH-APRIL 1976 BILATERAL ECONOMIC NEGOTIATIONS (IN RESPONSE TO WHAT WAS IN FACT US TP OFFER) AND THAT AN "INDICATIVE" (UNOFFICIAL) OFFER HAD BEEN PROVIDED DURING SEPTEMBER 1977 "PRE-NEGOTIATION CONSULTATIONS" ON A BILATERAL ECONOMIC TREATY, AND OBSERVED THAT PRESENT OFFER DID NOT REPEAT NOT INCLUDE ALL ITEMS ON PREVIOUS LISTS. USDEL ALSO REQUESTED AN ITEM BY ITEM REVIEW OF US REQUESTS IN ORDER TO BETTER UNDERSTAND WHY PHILIPPINE RESPONSE HAD BEEN SO MINIMAL.

6. VEGA SAID HE WAS UNPREPARED FOR SUCH A REVIEW BYT EXPLAINED THE CRITERIA ON WHICH PHILIPPINE OFFER WAS BASED:
(A) PRODUCTS CLASSIFIED BY CENTRAL BANK AS ESSENTIAL,
(B) PRODUCTS IMPORTED INTO PHILIPPINES IN SUBSTANTIAL
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QUANTITIES, (C) PRODUCT OR SUBSTITUTE NOT PRODUCED DOMESTICALLY, OR IF PRODUCED TARIFF REDUCTION WOULD NOT NEGATIVELY EFFECT COMPETITIVENESS, AND (D) CONCESSION WOULD NOT NEGATIVELY AFFECT GOP PROGRAMS. VEGA ALSO PRESSED FOR US TO IDENTIFY ITS PRIORITIES. USDEL SAID IT WAS NOT IN A POSITION TO DO SO IN THE ABSENCE OF A SPECIFIC PRODUCT LINE RESPONSE BY THE PHILIPPINES.

7. VEGA EXPRESSED GREAT DISAPPOINTMENT WITH NEGATIVE USDEL REACTION, STATING PARENTHETICALLY HIS HOPE THAT SUCH A REACTION WOULD NOT NEGATIVELY AFFECT THE OF VICE PRESIDENT MONDALE, SINCE PRESIDENT MARCOS PLANNED TO EMPHASIZE ECONOMIC MATTERS DURING THEIR TALKS. HE EXPLAINED THE ADDITIONAL RECOMMENDATIONS HE HAD MADE TO HIGHER AUTHORITIES HAD NOT BEEN APPROVED AND REITERATED GOP POSITION THAT US TARIFFS DISCRIMINATED AGAINST PHILIPPINE (COCONUT) OIL AND PHILIPPINE PLYWOOD (AND WERE VESTIGES OF COLONIALISM)..

8. USDEL REMINDED VEGA THAT IT HAD ALREADY CHARACTERIZED PHILIPPINE OFFER AS A USEFUL FIRST STEP AND THAT MEETING HAD BEEN SUCCESSFUL ON THIS CONTEST. USDEL ALSO INDICATED THAT CONCESSIONS US HAD OFFERED WERE OF SIGNIFICANT VALUE TO PHILIPPINES, BUT ACTUAL IMPLEMENTATION OF OUR OFFER DEPENDENT ON ACHIEVING SOMETHING OF VALUE TO BOTH SIDES OF THE NEGOTIATIONS. IT WOULD BE DISHONEST THEREFORE TO INDICATE THAT THE BASIS FOR A SUCCESSFUL NEGOTIATION, WHICH BOTH SIDES WANTED, WAS ON THE TABLE. GOP UNDERTOOK TO REVIEW ITS POSITION PARTICULARLY WITH RESPECT TO THE MARCH 1978 US REQUESTS. IT WAS AGREED TENTATIVELY TO MEET AGAIN MAY 16-17 IN GENEVA. VEGA EXPLAINED HIS INTENTION TO CONFIRM THIS WITH AUTHORITIES.

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9. COMMENT: IT IS CLEAR THAT GOP IS STILL TRYING TO FIND THE BEST LEVER TO ACHIV THE TARIFF REDUCTIONS IT DESIRES. PHILIPPINES HAS TAKEN A TENTATIVE STEP BY MAKING AN OFFER IN THE MTN CONTEXT. IT IS OUR BELIEF THAT ALL OF THE TABLED US REQUESTS WERE NOT FULLY CONSIDRED BUT IT IS DIFFICULT TO BELIEVE THIS IS THE ONLY REASON FOR SUCH A MINIMUM RESPONSE. WE THERFORE ARE NOT SURE THAT GOP WILL BE WILLING TO IMPROVE ITS OFFER SIGNIFICANTLY ENOUGH TO ALLOW NEGOTIATED SOLUTION. END COMMENT.

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